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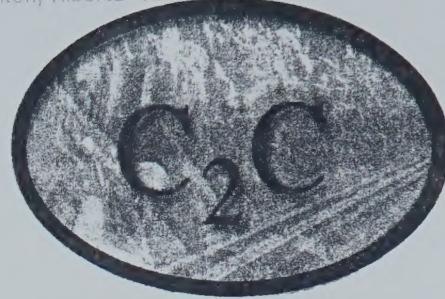
# Mining Corporation

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1999

The 1999 Annual Meeting of the Shareholders of C<sub>2</sub>C Mining Corporation will be held on Monday, October 25<sup>th</sup>, 1999 at 8:00 a.m., in the Barlow Room of the Glenmore Inn and Convention Centre, 2720 Glenmore Trail S.E. Calgary, Alberta. All Shareholders are cordially invited to attend. A formal Notice of Meeting, Information Circular and Instrument of Proxy have been mailed to each registered C<sub>2</sub>C Shareholder.



# Mining Corporation

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# CORPORATE PROFILE

C<sub>2</sub>C Mining Corporation (C<sub>2</sub>C) is an industrial mineral company engaged in the extraction, processing, application and marketing of specialty industrial minerals. C<sub>2</sub>C recognizes that to maintain its leadership in its field and compete effectively in a global marketplace, it is necessary to continually develop new applications and technologies for its products. As part of its growth strategy, C<sub>2</sub>C has established commercial and research alliances with domestic and international agencies.

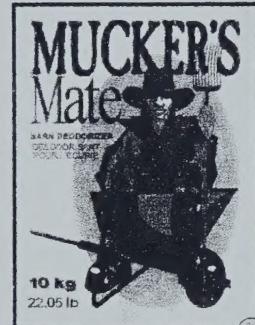
## MISSION STATEMENT

C<sub>2</sub>C will produce quality products through innovative science and technology. We will strive for sustainability of development for all shareholders, customers, employees, and other stakeholders.

## CONSUMER PRODUCTS



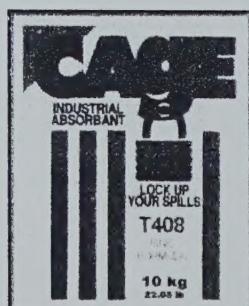
Manufactured from C<sub>2</sub>C's zeolite, this 100% natural mineral product is non-toxic and safe for pets, pet owners, and the environment. Zippity Doo addresses the source of the problem by absorbing and trapping ammonia and other odor causing particles; it does not rely on pet owners to faithfully remove wastes as with clumping litters. Nearly dust free, Zippity Doo has low trackability and provides a longer lasting, odor controlling environment for your cat.



Mucker's Mate is a stable maintenance product that addresses ammonia, moisture and dust, primary factors contributing to respiratory tract inflammation and other serious respiratory conditions. The zeolite in Mucker's Mate goes further than other stable products, improving traction and increasing safety during handling. Mucker's Mate is designed to make barn maintenance easy while providing the healthiest possible environment for animal and human.



Cage and Cage T408 are 100% natural zeolite mineral products which function as a solid sponge absorbing and holding many industrial wastes. Cage is designed for use in the most challenging conditions, where strength and traction are important considerations. Cage T408 is formulated to be fast acting, and is recommended for applications where speed of response is a priority. Both Cage and Cage T408 have been filtered to reduce dust, ensuring they stay on the spill and not in the air.



# LETTER TO SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present the Company's second Annual Report.

In the past year, C<sub>2</sub>C has achieved its primary objective of establishing a zeolite mine and the construction of Canada's first zeolite processing plant at Ashcroft, British Columbia. This was accomplished through an extensive effort by the Company to secure the necessary financing, complete the rigorous environmental permitting for both mine and plant operations, and initiate sales of the Company's manufactured products and zeolite technologies.

This exceptional accomplishment was made possible by the extraordinary efforts of the Company's employees, engineering and contracting firms, together with the support and commitment of the Company's stakeholders.

Since commissioning of the plant and completion of plant trials in February, the Company initiated aggressive marketing and sales programs. These programs have involved the establishment of brokers, manufacturer's agents and distributors for the Company's consumer and industrial users.

Zeolites are a new and unique material offering many benefits over conventional materials as well as applications in which only zeolite can perform to produce the desired effect. An example of the unique application of zeolite is in the Company's patented Lightweight Zeolite Concretes and encapsulation technologies for hazardous wastes. C<sub>2</sub>C has begun commercialization of its encapsulation technology, having received initial environmental approvals.

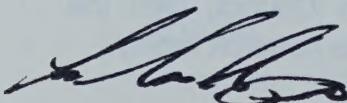
Successful, exciting and demanding appropriately describe the last years events. Asset growth through technological advancements has placed C<sub>2</sub>C Mining Corporation at the forefront of industrial mineral development in North America.

## THE OUTLOOK

The next year will generate dramatically increased revenues as the Company's sales, products and technology expand across North America to meet our existing production capacity from the Ashcroft plant.

To fulfill C<sub>2</sub>C's strategic objective of becoming North America's leading producer of zeolite and zeolite technologies, the Company is planning the development of its Nova Scotia zeolite resources. In this regard we have drafted plans for the creation of zeolite quarries and processing facilities in Nova Scotia.

C<sub>2</sub>C will continue to identify and develop its business opportunities, strengthening its focus on customers and trends in the global marketplace.



LuVerne E.W. Hogg  
President

Calgary, Alberta  
September 10, 1999

## BRITISH COLUMBIA ZEOLITE OPERATIONS

The past year saw rapid development of C<sub>2</sub>C's Cache creek zeolite deposit, with the construction of a processing facility in Ashcroft, British Columbia. The deposit, acquired through the acquisition of Ranchlands Stable Products in November of 1998, is one of Canada's largest zeolite properties with proven reserves of over two million tonnes. With construction of the processing facility and packaging plant complete, C<sub>2</sub>C is now able to produce a variety of zeolite products for use in consumer goods and environmental remediation technologies.

The facility is the first zeolite processing plant in Canada. Flexibility was a key consideration in its design, resulting in a start up time of less than one hour and an ability to deliver product in quantities ranging from bulk rail or truck to 10 kg bags. This facility has excellent access to primary transportation routes as it is located on the CN rail line near a CP interchange and approximately one mile from the Trans Canada highway.

C<sub>2</sub>C has developed a series of consumer and industrial based products including Zippity Doo, a premium cat litter, Mucker's Mate, a superior barn deodorizer, Cage and Cage T408, industrial absorbents for specialty, environmental and general use. Consumer acceptance surveys addressing the products, pricing, and packaging have received a positive response. A program for their market introduction was initiated in February and draws on a combination of manufacturer's representatives, agents, and distributors.

In addition, C<sub>2</sub>C has used zeolite from its Cache Creek deposit in the application of its patented encapsulation technology. The initial applications were in the oil and gas industry, although the technology can remediate sites for the petrochemical, mining and smelting, and nuclear industries. As this technology gains acceptance as a secure environmental alternative to landfill or burning waste, significant utilization will result in increased consumption of C<sub>2</sub>C's Cache Creek zeolite resources.

C<sub>2</sub>C is continuing to develop applications for zeolite from its Cache Creek deposit. A research and development program with the University of British Columbia's Department of Metals and Metallurgy began in July, 1999. This program will complete final design specifications for the commercialization of C<sub>2</sub>C's patented lightweight zeolite technology. This program is partially funded by the British Columbia Science Council, with the remaining funds being drawn from revenue generated by sales from the Ashcroft facility.

# REPORT ON NOVA SCOTIA ZEOLITE DEVELOPMENT

C<sub>2</sub>C Mining Corporation currently holds mineral rights to approximately 10,000 acres on the North Mountain region of Nova Scotia. This highly crystalline deposit is the second largest of its kind in the world, and has distinctly different characteristics from the more common tuffaceous zeolite deposits, of which C<sub>2</sub>C's Cache Creek deposit is an example. Basaltic zeolites of this type have never before been developed for commercial uses in any quantity. Over the past year, C<sub>2</sub>C has completed a number of firsts as the development of these North Mountain claims continues.

In the fall of 1998 C<sub>2</sub>C completed bulk sample testing on a 40 tonne zeolite sample drawn from its claims on the North Mountain. A portion of this sample was tested in February of 1999 to determine the feasibility of a large volume magnetic separation facility for commercial production. Results indicated that this approach to separation is both possible and highly effective. High purity crystalline zeolite composed twelve percent of the output material, with the remainder being a zeolitized basaltic material.

C<sub>2</sub>C intends to utilize the high purity crystalline zeolite fraction for application in specialty markets where it is expected to function as analogs to synthetic zeolites. Such applications includes fillers, molecular sieves, catalysts, desiccants, gas absorbents. The remaining zeolitized basaltic material will be employed in a number of areas including use as agricultural products, horticultural additives and amendments, environmental remediation and cleanup technologies, industrial absorbents, pet products and litters, and barn deodorizers.

The results of these tests provide the technical information necessary for the development of specifications for a processing facility. Concurrent to this engineering and costing work, C<sub>2</sub>C will conduct research to establish a complete characterization of the Nova Scotia zeolites. This characterization is an essential first step to the development of commercial applications for this unique product.

## COMMERCIAL PRODUCTION TEST RESULTS

Fraction	Weight (kg)	Weight (%)	Volume (cm <sup>3</sup> )	Volume (%)
Magnetic	7,370	86.95%	19,383.1	89.03%
Non-Magnetic	1,106	13.05%	2,388.96	10.97%
TOTAL	8,476		21,722.06	

# TECHNOLOGICAL ADVANCEMENTS

## LIGHTWEIGHT ZEOLITE CONCRETE (LZC)

C<sub>2</sub>C, in conjunction with the Science Council of British Columbia has engaged the University of British Columbia Department of Materials and Metallurgy in a research program which will determine formulations for the commercial utilization of zeolite based concretes. The inclusion of zeolite in the formulations improves strength, weight, insulation and acoustic factors, corrosion inhibition and workability.

The LZC technology was developed in collaboration with the National Research Council's Institute for Research in Construction. This research lead to patents being granted for LZC and Encapsulating Zeolite Concrete. Commercial formulations for a variety of products will be completed by June of 2000. C<sub>2</sub>C is identifying opportunities for the application of these formulations.

## WATER FILTRATION

Although zeolites are commonly utilized for water filtration in other parts of the globe, this is newly emerging and rapidly expanding process technology in North America. The porous nature of the zeolite allows it to function on both a physical and chemical level.

Each zeolite deposit is unique in its ion exchange capacity, molecular sieving and physical properties, all of which affect performance characteristics for given situations. C<sub>2</sub>C is currently testing its zeolites from British Columbia and Nova Scotia in a variety of potable water, aquaculture and wastewater applications. Promising results indicate that these zeolites will be an effective and economically viable alternative to current filter media.

## ZEOLITE ENCAPSULATION TECHNOLOGY

Encapsulating zeolite concrete is manufactured with a situation-specific formulation, using common, commercially available raw materials and an energy efficient concrete manufacturing process. The zeolite absorbs, traps, and immobilizes contaminants while adding strength and corrosion resistance to the concrete. Once encapsulated, the contaminants are immobilized and the site is permanently remediated.

This patented encapsulation technology was utilized on its first commercial application in July after receiving all of the required governmental approvals. Encapsulation can remediate contaminated sites for the petrochemical industry, mining and smelting industries, oil and gas industry as well as the nuclear industry. The encapsulation technology has potential to consume a large quantity of C<sub>2</sub>C's Cache Creek zeolite resources.

## SOIL REMEDIATION AND COMPOSTING

A research project conducted in conjunction with Agriculture Canada is assessing the role of zeolites in the composting of organic and biowastes. This program will run until April of 2000 and will determine optimal combinations of organics, biosolids, and zeolite. Laboratory and field tests will be conducted to assess the impact on water retention, soil fertility, nutrient moderation, and texture.

The zeolite enhances the composting process by functioning as a platform for the microbial activity while providing contact with moisture, oxygen and nutrients. Ultimately, the zeolite incorporated into the compost adds permanent ion exchange capacity and improved fertility to the soil.

## ANCILLARY MINERAL PROJECTS

### CALCITE

C<sub>2</sub>C Mining Corporation's Blue River calcite deposit is located 150 kilometers north east of Kamloops, British Columbia, within 4 kilometers of the Yellowhead Highway and the CN railway. The deposit contains over 1.8 million tonnes proven reserves.

In Spring of 1999, testing was conducted to determine grinding characteristics for the material as well as brightness on the resulting GCC (ground calcium carbonate). High brightness, expressed as a percent reflectance, is a key consideration in determining potential industry applications. The GCC from the Blue River deposit is suitable for application in a number of high value industries including plastics, adhesives, papers, sealants, paints and rubber.

The information obtained from these initial tests will be used to design, size, and cost equipment for construction of a calcite processing facility. Applications testing and market research will be conducted using the material produced in these tests.

### FELDSPAR

C<sub>2</sub>C Mining Corporation has held the mineral rights to the Blue River Feldspar Deposit since 1997. In June of 1998, C<sub>2</sub>C completed geological mapping and sampling of the deposit, and determined it contains industry grade feldspar with a mineral distribution of 55% potassium feldspar, 40% quartz and 5% muscovite and biotite.

Initial chemical analysis tests, conducted in November of 1998, indicate the material has potential for application in glass and ceramics. A more detailed sampling program will be conducted to ascertain the consistency of the deposit. In addition, C<sub>2</sub>C will continue developmental and research studies to determine whether commercial production is economically viable.

### PYROPHYLLITE

An agreement finalized in July, 1999 provides C<sub>2</sub>C Mining Corporation with an opportunity to participate in the initial development and research stages of the Semlin Pyrophyllite deposit located near Kamloops, British Columbia. Under terms of the agreement with Kamloops Industrial Minerals, C<sub>2</sub>C is responsible for mine preparation, mining, and reclamation, as well as processing. The pyrophyllite will be processed at C<sub>2</sub>C's Ashcroft location, with trials expected to begin early fall of 1999.

The pyrophyllite will be used in Kamloops Industrial Minerals' ceramics manufacture where it will impart excellent heat and shock resistance, a low coefficient of thermal expansion, minimal shrinkage, and high resistance to deformation under load.

Initial research conducted by C<sub>2</sub>C indicates the use of pyrophyllite in combination with zeolite will enhance the advantages of its patented zeolite-based construction technologies. Continued research into the uses of pyrophyllite alone and in combination with C<sub>2</sub>C's other products is ongoing.

# AUDITORS' REPORT

To the Shareholders of  
C<sub>2</sub>C MINING CORPORATION

We have audited the consolidated balance sheets of C<sub>2</sub>C Mining Corporation as at June 30, 1999 and 1998 and the consolidated statements of loss, deficit and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 1999 and 1998 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

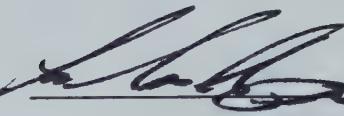
Calgary, Canada  
September 20, 1999

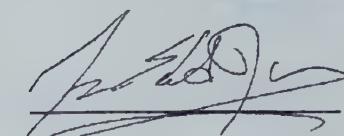
*Newman Larey*  
CHARTERED ACCOUNTANTS.

**C<sub>2</sub>C Mining Corporation**  
 Consolidated Balance Sheets  
 June 30, 1999

	<u>1999</u>	<u>1998</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and deposit certificates	\$ 26,837	\$ 700,988
Accounts receivable	58,091	23,324
Inventory	74,096	11,939
Prepaid expense	<u>1,523</u>	<u>12,916</u>
	160,547	749,167
<b>CAPITAL ASSETS (Note 4)</b>	990,559	2,116
<b>DEFERRED RESEARCH AND DEVELOPMENT COSTS (Note 6)</b>	185,046	181,157
<b>DEFERRED EXPLORATION COSTS (Note 7)</b>	<u>591,288</u>	<u>265,778</u>
	<u>\$ 1,927,440</u>	<u>\$ 1,198,218</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable	\$ 117,586	\$ 71,314
Current portion of Debenture payable (Note 9)	34,648	-
Due to related parties (Note 8)	<u>-</u>	<u>2,087</u>
	152,234	73,401
<b>DEBENTURE PAYABLE (Note 9)</b>	<u>639,775</u>	<u>-</u>
	<u>792,009</u>	<u>73,401</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>SHARE CAPITAL (Note 10)</b>	1,541,103	1,256,779
<b>DEFICIT</b>	<u>(405,672)</u>	<u>(131,962)</u>
	<u>1,135,431</u>	<u>1,124,817</u>
	<u>\$ 1,927,440</u>	<u>\$ 1,198,218</u>

APPROVED BY THE BOARD:

 Director

 Director

**C<sub>2</sub>C Mining Corporation**  
 Consolidated Statements of Loss  
 June 30, 1999

	<u>1999</u>	<u>1998</u>
<b>REVENUE</b>		
Zeolite sales	\$ 141,938	\$ 12,022
Cost of sales	<u>59,821</u>	-
Gross margin	82,117	12,022
Interest and other income	<u>16,013</u>	2,706
	<u>98,130</u>	<u>14,728</u>
<b>EXPENSES</b>		
Administration fees	1,500	1,450
Amortization of capital assets	21,071	374
Amortization of deferred exploration costs	35,484	-
Bank charges and interest	705	602
Consulting fees	25,000	15,000
Directors fees	400	400
Filing and transfer agent fees	16,797	7,896
General and administrative	120,448	14,690
Insurance	6,266	-
Interest on convertible debentures	36,155	32,085
Professional fees	73,801	18,854
Property taxes	207	-
Salaries and benefits	<u>34,006</u>	-
	<u>371,840</u>	<u>91,351</u>
<b>NET LOSS</b>		
	<u>\$ (273,710)</u>	<u>\$ (76,623)</u>
Loss per share	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>

Consolidated Statements of Deficit  
 June 30, 1999

	<u>1999</u>	<u>1998</u>
Balance, beginning of year	\$ (131,962)	\$ (55,339)
Net loss	<u>(273,710)</u>	<u>(76,623)</u>
Balance, end of year	<u>\$ (405,672)</u>	<u>\$ (131,962)</u>

**C<sub>2</sub>C Mining Corporation**  
 Consolidated Statements of Cash Flow  
 June 30, 1999

1999

1998

**CASH RESOURCES PROVIDED BY (USED FOR)**

**OPERATING ACTIVITIES**

Net loss	\$ (273,710)	\$ (76,623)
Items not affecting cash		
Amortization of capital assets	21,071	374
Amortization of deferred exploration costs	35,484	-
	<hr/>	<hr/>
Changes in non-cash operating items		
Accounts receivable	(34,767)	(19,214)
Inventory	(62,157)	(11,939)
Prepaid expenses	11,393	(12,916)
Accounts payable	46,272	46,253
Accrued interest payable	<hr/>	(6,075)
	<hr/>	<hr/>
	(256,414)	(80,140)

**FINANCING ACTIVITIES**

Issuance of common shares (Note 10)	284,324	1,150,445
Convertible debentures (Note 9)	674,423	(308,000)
Due from a related party	-	2,434
Due to related parties (Note 8)	<hr/>	(2,087)
	<hr/>	(1,511)
	<hr/>	<hr/>
	956,660	843,368

**INVESTING ACTIVITIES**

Acquisition of capital asset (Note 4)	(1,009,514)	(2,490)
Deferred research and development costs (Note 6)	(3,889)	(72,924)
Deferred exploration costs (Note 7)	<hr/>	(360,994)
	<hr/>	(176,075)
	<hr/>	<hr/>
	(1,374,397)	(251,489)

**INCREASE (DECREASE) IN CASH**

CASH, BEGINNING OF YEAR	700,988	189,249
	<hr/>	<hr/>

**CASH, END OF YEAR**

**\$ 26,837      \$ 700,988**

# NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

## 1. INCORPORATION AND OPERATIONS

The Corporation was incorporated on March 13, 1997 under the Business Corporations Act of Alberta and commenced operations on that date.

The operations of the Corporation are currently focussed on the exploration for, and development of, mineral deposits on a commercially viable basis.

## 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by the Corporation's management in accordance with generally accepted accounting principles in Canada. In preparing these financial statements, management is required to make estimates and assumptions. In management's opinion, the financial statements have been properly prepared using careful judgement within reasonable limits of materiality and within the framework of the accounting policies summarized below:

### a) Consolidation

These consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary, Ranchlands Stable Products Ltd. The 1998 comparative figures included in these consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries, W.T.C. Resources Ltd. and Polar Powder & Technologies Inc.

Effective September 8, 1998 the Corporation acquired all the issued and outstanding shares of Ranchlands Stable Products Ltd., and effective July 1, 1998 the operations of the Corporation, W.T.C. Resources Ltd. And Polar Powder & Technologies Inc. were amalgamated.

### b) Inventory

The inventories of raw materials and finished goods are valued at the lower of cost and net realizable value.

### c) Deferred Exploration Costs

Exploration costs relating to non-producing mineral properties are deferred until the properties are brought into production, at which time the deferred costs will be amortized on the unit-of-production method based on the property's estimated ore reserves. If a property is abandoned, any capitalized costs related to the property will be charged to operations in the year of abandonment.

The recoverability of amounts shown for deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

### d) Deferred Research and Development Costs

Research and development costs related to certain zeolite technologies have been capitalized and deferred until production of commercial quantities, at which time the deferred costs will be amortized over the remaining license period. If commercialization is not feasible, the deferred charges will be charged to operations in the year so determined.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### e) Earnings Per Share

Earnings per share have been calculated on the weighted average basis for shares issued and outstanding throughout the current fiscal year.

### f) Revenue Recognition

Sales of zeolite materials are recorded when the order for product has been placed and confirmed.

## 3. VALUATION OF DEFERRED EXPENDITURES

The corporation's deferred exploration costs and deferred research and development costs are expenditures related to non-producing mining properties in the exploration stage, and research and development of zeolite technologies. Recovery of these costs is dependent upon the development of economic ore deposits, the ability of the company to obtain sufficient financing to complete the development, future profitable production, or the obtaining of sufficient proceeds on the disposition of the properties.

## 4. CAPITAL ASSETS

	<u>Rate</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
				<u>1999</u>	<u>1998</u>
Land		\$ 25,000	\$ -	\$ 25,000	\$ -
Computer Hardware	30%	2,490	1,223	1,267	2,116
Office Equipment	20%	2,127	574	1,553	-
Plant and Equipment	4%	<u>982,387</u>	<u>19,648</u>	<u>962,739</u>	<u>-</u>
		<u>\$ 1,012,004</u>	<u>\$ 21,445</u>	<u>\$ 990,559</u>	<u>\$ 2,116</u>

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on the declining balance basis at the rates set out above.

## 5. ACQUISITIONS

In a share purchase agreement dated effective September 22, 1999 the Corporation acquired all the issued and outstanding common shares of Ranchlands Stable Products Ltd. ("Ranchlands") in exchange for 1,448,400 common shares of the Corporation. This acquisition has been accounted for on the purchase method. The shares issued have been recorded at \$159,324 being the value of the consideration given. There have been no revenues or expenses of Ranchlands included in the Corporation's statements of operations as Ranchlands has conducted no operations in its own right. The net assets acquired are as follows:

Details of the acquisition are as follows:

Current assets	\$ 5,344
Mineral claims and deferred exploration costs	<u>71,904</u>
	<u>168,141</u>
Current liabilities	<u>8,817</u>
Net assets acquired	<u>\$ 159,324</u>

## 6. DEFERRED RESEARCH AND DEVELOPMENT COSTS

The deferred charges represent research and development costs incurred with respect to the development of new and alternative zeolite technologies.

## 7. DEFERRED EXPLORATION COSTS

The Corporation has been evaluating and exploring industrial mineral deposits located in Nova Scotia and British Columbia. During the current year and concurrent with the acquisition of mining claims through Ranchlands, the Corporation has constructed a processing plant in the Cache Creek area of British Columbia. As a result, deferred exploration costs in the British Columbia region are being amortized based on the unit of production basis.

## 8. RELATED PARTIES

The amounts due to related parties in fiscal 1998 were non-interest bearing, were unsecured and had no specified terms of repayment. Management had determined that these amounts would be paid within the forthcoming year, thus the amounts were classified as a current liability in the accompanying financial statements. The companies are related through common shareholdings and directors.

## 9. DEBENTURE PAYABLE

	<u>1999</u>	<u>1998</u>
8% Debenture Payable	\$ 674,423	\$ -
Less: portion due within one year	<u>34,648</u>	-
	<u><u>\$ 639,775</u></u>	<u><u>\$</u></u>

Future minimum payments over the next five years are as follows:

2000	\$ 34,648
2001	37,512
2002	40,613
2003	43,970
2004 and thereafter	<u>517,680</u>
	<u><u>\$ 674,423</u></u>

In conjunction with the construction of the processing plant located in the Cache Creek area of British Columbia, the Company entered into a financing arrangement with 599595 Alberta Ltd. (Operating as Industrial Mineral Processors - "IMP"). Under the terms of this agreement, the Corporation obtained financing of up to \$900,000 through the holder, IMP, to construct the plant site and purchase equipment. As partial consideration under this agreement, an 8% debenture financing agreement was entered into for a total amount of \$700,000 and the balance of the cost was satisfied through the issuance of 500,000 common shares at an ascribed value of \$125,000.

The debenture calls for payments of not more than \$21,933.45, including principal and interest thereon in arrears, in quarterly repayments on each of March 31, June 30, September 30 and December 31 of each year. Collateral pledged includes the plant and equipment owned by the Company and a guarantee signed by Ranchlands, the legal owner of the property upon which the site is located.

In addition, the debenture is convertible at the election of the holder into Common Shares of the Corporation at any time prior to November 1, 2003, but no sooner than twelve months from the date of the Debenture Agreement, being November 1, 1999. The agreement also contains a compulsory conversion provision and a redemption provision whereby the Corporation may redeem the debenture.

## 10. SHARE CAPITAL

a) The Corporation's authorized share capital consists of an unlimited number of:

Common Shares  
First Preferred Shares  
Second Preferred Shares.

b) Common Shares Issued:

	Number of Shares	Amount
Balances, June 30, 1997	6,000,000	\$ 106,334
Share repurchase by Director resolution	(1,190,000)	(5)
Shares issued on conversion of debentures	1,754,000	438,500
Shares issued under Exchange Offering Prospectus	3,600,000	900,000
Offering expenses incurred	-	(188,050)
Balances, June 30, 1998	10,164,000	1,256,779
Shares issued on acquisition of Ranchlands Stable		
Products Ltd.	1,448,400	159,324
Shares issued to 599595 Alberta Ltd. on construction of processing plant.	500,000	125,000
Balances, June 30, 1999	<u>12,112,400</u>	<u>\$ 1,541,103</u>

c) No First Preferred Shares or Second Preferred Shares have been issued.

d) Common Shares Reserved

The directors and shareholders of the Corporation have approved and adopted an incentive share option plan for its directors, management and employees effective March 13, 1997.

As at June 30, 1999 a total of 900,000 Common Shares are reserved for possible issuance pursuant to the exercise of options under this option plan. These options expire at various times to March 20, 2003 and are exercisable at \$0.25 per share.

In addition, and pursuant to the terms and conditions of the exchange offering prospectus, the Corporation has reserved a total of 360,000 common shares for issuance at \$0.25 per share to the agent. This option expires on June 3, 2000.

## 11. RELATED PARTY TRANSACTIONS

During the period ended June 30, 1999, the Corporation paid two directors for their management responsibilities, a total of \$100,000 ( 1998 - \$128,400). In addition, the Corporation paid \$15,000 to a company controlled by two directors for general and administrative services and consulting services. Directors fees totaling \$400 were paid to two directors acting in that capacity during both 1999 and 1998.

## 12. LONG-TERM COMMITMENTS AND CONTINGENCIES

a) Under the terms and conditions of certain royalty and license agreements, the Corporation will be required to pay certain royalties based on production and a minimum annual royalty payment should the calculated royalty based on production revenues be insufficient. In addition, should the Corporation not proceed to the commercial development stage, the project technology may revert to the joint venture partner for commercial development.

- b) Pursuant to a share option agreement, the Corporation will be required to conduct exploration and development activities as outlined in the option agreement and will be required to make certain payments with respect to the acquisition of the exploration licenses and also with respect to royalty agreements.
- c) The Corporation has made no provision for site restoration costs related to mining activities as production has not commenced. The amount of any such costs is not determinable at this time.
- d) The Corporation has entered into a three year lease rental agreement for office and warehouse space at a basic monthly rental of \$1,193.50 to May 31, 2001 and \$1,247.75 to May 31, 2002.

### **13. FINANCIAL INSTRUMENTS**

The Corporation's financial instruments that are included in the balance sheet are comprised of accounts receivable, all current liabilities and the debenture payable.

- a) Fair Values of Financial Assets and Liabilities

The fair values of the financial instruments that are included in the balance sheet approximate their carrying amount due to the short-term maturity of those instruments and the interest rate on the debenture payable.

- b) Liquidity Risk

The Corporation is in the start-up phase of the exploration for, and development of, mineral deposits on a commercially viable basis and as such has no readily determinable basis for retiring the total of the debenture currently outstanding.

### **14. SUBSEQUENT EVENT**

Subsequent to June 30, 1999, the Corporation sought and received, regulatory approval to issue up to 2,000,000 units through a private placement for purposes of raising working capital. To September 20, 1999 a total of 902,500 common shares of the Corporation have been issued.

### **15. UNCERTAINTY DUE TO THE YEAR 2000**

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 at 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems, which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could effect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the entity, including those related to the efforts of customers, suppliers, or third parties, will be fully resolved.

### **16. INCOME TAXES**

The Corporation has incurred accumulated non-capital losses of \$390,755 for income tax purposes which are available to reduce taxable income in future years.

# CORPORATE DIRECTORY

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Newman Carey  
Calgary, Alberta

**Transfer Agent**

Montreal Trust  
Calgary, Alberta

**Banker**

CIBC  
Calgary, Alberta

Royal Bank  
Calgary, Alberta

**Directors**

LuVerne E.W. Hogg  
Graham Jones  
Eric Leslie  
David Thom

